



IRA A. JACKSON  
COMMISSIONER

*The Commonwealth of Massachusetts*  
*Department of Revenue*  
*Leverett Saltonstall Building*  
*100 Cambridge Street, Boston 02204*

January 30, 1984

In your letter of January 9, 1984 you request, on behalf of certain rulings relative to the taxation of the Massachusetts Trust described herein.

The Trust ("Fund") is to be created by agreement between the Sponsor and Trust Co., as Trustee ("Trustee"). The Sponsor is a Delaware corporation with its principal office in Chicago, Illinois. It maintains a branch office in Boston and is qualified to do business here as a foreign corporation. The Trustee is a trust company organized under the banking laws of the State of New York and has its principal office in New York City.

The trust agreement will be executed and delivered in New York and, by its terms, be governed by the laws of New York. The Sponsor will deposit the assets for the Fund with the Trustee. The Trustee will then issue and sell all the Units to the Underwriters in New York. The Underwriters as principals and not as agents will offer the Units for sale to the public. All the business of the Fund will be conducted in New York. The assets of the Fund will be located in New York, and distributions to individual investors in the Fund ("Unit Holders") will be made from there. The Fund will have no office in

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Massachusetts.

The Fund will consist of one or more underlying unit investment trusts. One of these will be designated as the Massachusetts Trust, and the remainder, if any, will be trusts to hold securities from other states. The Trusts are combined under one Trust Agreement in order to reduce initial expenses and administrative costs. Each trust in the Fund will be administered as a distinct entity, with separate transferable certificates of ownership, expenses, books and records. Certain shared expenses, such as Trustee compensation, will be allocated by the Trustee among the Trusts according to their respective costs of administration and operation.

The Massachusetts Trust will be comprised of a fixed portfolio of interest-bearing obligations issued primarily by or on behalf of the Commonwealth of Massachusetts, its counties, municipalities, authorities and political subdivisions, or by certain United States territories or possessions ("Bonds"). The interest from the Bonds will, in the opinion of bond counsel for the issuing governmental entities, be exempt under existing law from both federal and Massachusetts income taxes. Units of the Massachusetts Trust will be offered and sold in Massachusetts separate from Units of other trusts primarily to Massachusetts residents by underwriters, brokers and dealers. Each Unit of the Massachusetts Trust will represent an undivided interest in the principal and net income of the Massachusetts Trust. The Trust will make distributions of interest received and proceeds from the sale or maturing of Bonds to Massachusetts Unit Holders at specified intervals. Bond proceeds will not be reinvested in the Trust.

The Units will be redeemable by the Trustee at each Unit Holder's option. Units offered for redemption may also be purchased by the Sponsor, either for resale to the public or redemption.

All Bonds in the Fund will be covered under one or more insurance policies obtained either by the Fund or issuers of the Bonds. These policies will collectively guarantee the timely payment of interest and principal on all the Bonds. The insurer, as regards any payment it may make, will succeed to the rights of the Trustee with respect thereto.

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Neither the Sponsor nor the Trustee will have authority to alter the Massachusetts Trust portfolio of Bonds, except that (a) in the event of a failure of delivery of any Bonds that have been purchased for the Trust under a contract, the Sponsor may direct the Trustee to acquire other similar bonds having the same exemption from state taxation as the Bonds they replace; (b) the Sponsor may instruct the Trustee under certain circumstances to exchange a Bond in a municipal refinancing plan; (c) the Sponsor will be able to order the sale of a Bond in the face of certain events adversely affecting the value of the Bond; and (d) the Trustee will have the power to sell Bonds for the purpose of redeeming Units tendered by any Unit Holder or for the payment of expenses for which funds may not be available.

The Sponsor and Trustee will have the power to amend the Trust Agreement only to cure any ambiguity or to correct or supplement any defective or inconsistent provision of the Trust Agreement and make such other provision as shall not adversely affect the interests of Unit Holders, provided that the number of Units may not be increased or securities substituted or added except under the circumstances listed above.

The Massachusetts Trust may be liquidated at any time by consent of 100 per cent of the Unit Holders or by the Trustee if either the value of the Fund drops below a certain level or the unsold Units tendered for redemption by the Underwriters reaches a certain number.

In the opinion of Chicago counsel to the sponsor, the Massachusetts Trust will not be an association taxable as a corporation for federal income tax purposes but will be governed under Subchapter J (relating to Trusts) of Chapter 1 of the Internal Revenue Code of 1954, as amended.

The Internal Revenue Service has ruled on several occasions that amounts paid by an insurer that represent maturing interest on defaulted municipal obligations are excludable from federal gross income if, and to the same extent as, such interest would have been so excludable if paid by the issuer of the defaulted obligations. (Rev. Rul. 72-134; Rev. Rul. 72-575; Rev. Rul. 76-78.)

Based on the foregoing, it is ruled:

1. For Massachusetts income tax purposes, the Trust

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will be treated as a corporate trust as defined in General Laws Chapter 62, Section 1, and taxed under General Laws Chapter 62, Section 8, and not as a grantor trust under General Laws Chapter 62, Section 10(e).

2. Neither (a) the Massachusetts Trust's purchase of Massachusetts municipal bonds outside of Massachusetts, nor (b) the Massachusetts Trust's sales of Units outside Massachusetts to Underwriters and subsequent resales by the Underwriters to other brokers or dealers located within and without Massachusetts and the sales by the Underwriters or other brokers or dealers to Massachusetts residents, nor (c) the Massachusetts Trust's holding and collection of interest from such bonds, nor (d) the payment by the Trustee in New York of distributions to Unit Holders in Massachusetts, taken separately or in the aggregate, constitute engaging in any business, activity or transaction within Massachusetts by the Massachusetts Trust within the meaning of General Laws Chapter 62, Section 8(a); and, therefore, the Massachusetts Trust will not be subject to liability for any Massachusetts income tax.

3. Unit Holders who are subject to Massachusetts income taxation under General Laws Chapter 62 will not be required to include their shares of the earnings of or distributions from the Massachusetts Trust in their Massachusetts gross income to the extent that such earnings or distributions represent tax-exempt interest for federal income tax purposes received by the Massachusetts Trust on obligations issued by the Commonwealth of Massachusetts, its counties, municipalities, authorities, political subdivisions or instrumentalities, or by United States territories or possessions. Any undistributed earnings of the Massachusetts Trust will not be attributed to the Unit Holders for Massachusetts income tax purposes.

4. Unit Holders who are subject to Massachusetts income taxation under General Laws Chapter 62 will not be required to include their shares of the earnings of or distributions from the Massachusetts Trust in their Massachusetts gross income to the extent that such earnings or distributions are derived from proceeds of insurance obtained by the Trustee of the Fund or by the issuer of an obligation held by the Fund that represent maturing interest on defaulted obligations held by the Trustee, if and to the same extent that such earnings or distributions would have been excludable from their gross income if derived from interest paid by the issuer of the defaulted obligation.

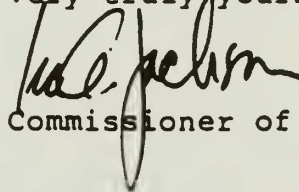
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5. The Massachusetts Trust's capital gains and capital losses will be included in the Massachusetts gross income of Unit Holders who are subject to Massachusetts income taxation under General Laws Chapter 62, except where capital gain is specifically exempted from income taxation under the Massachusetts statute authorizing issuance of said obligations.

6. Gains or losses realized upon sale or redemption of Units by Unit Holders subject to Massachusetts income taxation under General Laws Chapter 62 will be includible in their Massachusetts gross incomes.

Nothing in this ruling is to be construed as exempting the Sponsor, the Underwriters or broker-dealers who may be doing business in the Commonwealth from Massachusetts taxes.

Very truly yours,



Commissioner of Revenue

IAJ:JJW:mf

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